

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF TUCSON, ARIZONA
Minutes of the Special Meeting
of the Board of Directors

May 16, 2007

At the
Ward VI Council Office Community Meeting Room
3202 East Fifth Street
Tucson, Arizona 85716

Present:

Board Members	Jaime P. Gutierrez Michael Hammond Marilyn Robinson Mary Lou Mobray
Staff	Gary Molenda, Business Development Finance Corporation Karen Valdez, Business Development Finance Corporation Charles W. Lotzar, Lotzar Law Firm, P.C.
Guests	Steve Martin – TREO Jack Siry – City of Tucson
Absent:	Ben Buehler-Garcia Sonia Trejo

The Special Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona was held on **May 16, 2007** at 3202 East Fifth Street, Tucson, Arizona. All Board Members and the general public were duly notified of the meeting. C. Lotzar explained that Arizona's Open Meeting Laws allow for members of the Authority's Board of Directors and legal counsel to appear and participate in the meeting telephonically so long as all participants in the meeting can hear and be heard. No one appeared via conference telephone call.

ITEM	ACTION TAKEN/TO BE TAKEN
I. Call to Order.	The meeting was called to order at 4:05 p.m. with a quorum present.
II. Request for resolution to approve the minutes of the Board of Director's Regular Meeting of April 12, 2007.	A MOTION was made and seconded (M. Hammond / M.L. Mobray) to approve the Regular Meeting minutes of April 12, 2007 as presented. Approved 4-0.
III. Request for resolution to approve the payment of invoices and the notification of items to be paid on the Authority's behalf by third parties. K. Valdez presented a schedule of the payables, for approval, for the period April 13, 2007 through May 16, 2007 .	A MOTION was made and seconded (M. Robinson / M. Hammond) to approve payment of invoices for the period of April 13, 2007 through May 16, 2007 based on the schedule presented. Approved 4-0.

<p>IV. Discussion and request for resolution granting final approval to the issuance of The Industrial Development Authorities of the City of Tucson, Arizona and the County of Pima of Joint Single Family Mortgage Revenue Bonds, Series 2007B, in an aggregate principal amount not in excess of \$33,000,000 approving the General Plan and the Standards and Requirements; and approving other documents and matters relating to the Bonds.</p> <p>C. Lotzar presented resolution for final approval to the issuance of the Joint Single Family Mortgage Revenue Bonds (“Program”), Series 2007B. Both the 2006 and 2007A programs have fully originated therefore there is currently no program available in the market. Lender demand for the program remains strong. It was noted that this issue will have 40 year Bonds and a 40 year mortgage component available. A maximum of 20% of the program, approximately \$6.6 million, will be 40 year loans on a first come first serve basis. The 2007B Program has not been priced yet but the interest rate will be well below current market rates and will be at full spread. It was noted that there have been legislative changes with regard to Veterans and VA loans. Veterans do not have to comply with the first time homebuyer requirement. It was also noted that the Phoenix and Maricopa Authorities in their current SFMRB program have a reduction of a portion of the issuer fee (10 points) on a limited amount (not to exceed 10%) of the mortgage loans made if those loans were made to veterans. The intent is to encourage the number of VA loans. Discussion ensued and it was the consensus of the Board to incorporate this VA rate reduction. There was discussion regarding the non-origination risk if there is a dramatic decline of interest rates the market. If this were to happen, negative arbitrage would apply translating to an approximate \$450,000 loss to the Authority. Also noted is that \$7.5 million of the allocation not being used could be carried forward and recycled. M. Robinson requested that the once required report to the Arizona Housing Commission Task Force continue to be prepared, as it contained valuable information. It was noted that S. Riffle could request information in a similar report format from the Master Servicer.</p>	<p>A MOTION was made and seconded (M. Hammond / M.L. Mobray) to grant final approval to the issuance of The Industrial Development Authorities of the City of Tucson, Arizona and the County of Pima of Joint Single Family Mortgage Revenue Bonds, Series 2007B, in an aggregate principal amount not in excess of \$33,000,000 approving the General Plan and the Standards and Requirements; and approving other documents and matters relating to the Bonds including the VA preference fee reduction of 10 points on a limited amount not to exceed 10% of the mortgage loans made. Approved 4-0.</p>
<p>V. Discussion and request for resolution authorizing the issuance of The Industrial Development Authority of the City of Tucson, Arizona Single Family Mortgage Revenue Bond Draw Down Program Series 2007 in an amount not to exceed \$50,000,000.</p> <p>C. Lotzar reviewed previous discussions with the Board regarding setting up its own Draw Down program. It was noted that as a result of not have its own draw down program the Authority was recently notified that \$10 million of non-origination Bonds from the 2004 program has been lost. Mr. Lotzar reviewed the applicable law using concepts to preserve volume cap. It was noted that S. Riffles strategy is to keep size of programs low. If the Authority doesn’t have a program to preserve the money in the market that will be coming back, as what happened with the 2004 program, the funds will be lost. It was determined that the only liability is the transaction cost to set up the program and the annual fee to maintain it. It was the consensus of the Board to set up a draw down program.</p> <p>Discussion ensued regarding the Authority’s budget. Staff was directed to have budget to actual figures in every Board Packet going forward.</p>	<p>A MOTION was made and seconded (M. Hammond / M. Robinson) to authorize issuance of The Industrial Development Authority of the City of Tucson, Arizona Single Family Mortgage Revenue Bond Draw Down Program Series 2007 in an amount not to exceed \$50,000,000. Approved 4-0.</p>
<p>VI. Request for resolution authorizing the Authority to take action in connection with the Authority’s investment as a limited partner in the Block 175 Limited Partnership (the “Partnership”), including but not limited to actions designed (a) to cause the sale, transfer or disposition of the Partnership’s property, (b) to cause the redemption of the Authority’s interest in the Partnership, or (c) to cause the windup of the Partnership’s affairs in the Partnership as evidenced by that certain Agreement of Limited Partnership dated November 12, 1985 between the Downtown Development Corporation of Tucson, Arizona, an Arizona nonprofit corporation as general partner and the Authority as limited partner, as amended.</p>	<p>TABLED</p>

<p>VII. Request for resolution authorizing the Authority to take action in connection with it investment as a limited partner in the Torreon Properties Limited Partnership (the “Partnership”) including but not limited to actions designed (a) to cause the sale, transfer or disposition of the Partnership’s property, (b) to cause the redemption of the Authority’s interest in the Partnership, or (c) to cause the windup of the Partnership’s affairs as evidenced by that certain Agreement of Limited Partnership dated December 24, 1986 between the Downtown Development Corporation of Tucson, Arizona, an Arizona nonprofit corporation as general partner and the Authority as limited partner, as amended.</p> <p>Discussion regarding the Block 175 Limited Partnership and the Torreon Properties Limited Partnership. It was noted that the Downtown Development Corporation (DDC) is making considerable effort to re-establish quality and activity of its Board. Concerns were discussed and requiring resolution prior to any Board action. Issues noted:</p> <ul style="list-style-type: none"> • Are the properties performing assets that are appropriately managed? • Are changes in Partnership Agreements required? • Manage property and/or prepare for sale? <p>Recommendation would be to assemble chronology of Partnership activity over time. It was the consensus of the Board to Table discussion and/or action for the immediate future.</p>	
<p>VIII. Discussion and consideration for approval of a 3 year loan extension to Nosotros.</p> <p>K. Valdez presented a request from Nosotros (“Borrower”) for a 3 year loan extension. A loan issued to Borrower August, 2002 will be due on August 1, 2007. The current balance is \$70,000.00. Borrower proposes a principal pay down of \$25,000.00, to bring the balance to \$45,000.00, with remaining balance to be paid in full over a 36 month period. This would result in a monthly payment of \$1,368.00 at the 6% (non-profit) interest rate. It was noted that financial position is strong and continues to have a steady increase in sales (charter school enrollment) and net profit. There have been no significant changes in liquidity ratios. Operating cycle remains stable. Trends are positive.</p>	<p>A MOTION was made and seconded (M.L. Mobray/M. Robinson) to approve a 3 year loan extension to Nosotros from August 1, 2007 to August 1, 2010 at a 6% interest rate. Approved 4-0.</p>
<p>IX. Discussion and request for resolution authorizing sponsorship requests for:</p> <ol style="list-style-type: none"> 1) The National Association for County, Community, and Economic Development (NACCED) Conference; 2) Chicanos Por La Causa Annual Dinner <p>The National Association for County, Community, and Economic Development (NACCED) is a nonprofit national organization composed of county government agencies that administer community development, economic development, and affordable housing programs. This year, Pima County’s Community Development and Neighborhood Conservation Department will be hosting the 32nd annual conference. The conference will be held from October 12 -17, 2007 at Tucson’s University Marriott Hotel. Sponsorship opportunities range from \$500.00 to \$15,000.00. Discussion ensued and it was the consensus of the Board to table this item until next month’s meeting.</p> <p>The Chicanos Por La Causa Annual Dinner is to be held Thursday, June 7, 2007 at the Desert Diamond Entertainment Center. C. Lotzar reported that his Law Firm is sponsoring a table. Discussion ensued and it was the consensus of the Board to send a donation equal to the net-profit of a “Table Sponsorship”.</p>	<p>A MOTION was made and seconded (M. Hammond/M. Robinson) to Table sponsorship decision of the NACCED annual conference until next months meeting and to approve a donation amount equal to the net profit of a “Table Sponsorship” to The Chicanos Por La Causa Annual Dinner. Approved 4-0.</p>
<p>X. Staff Reports</p> <ul style="list-style-type: none"> • Family Life Broadcasting System – no activity / report • Scion Power – G. Molenda reported participation in a preliminary conference call regarding research of financing options for project. 	

<ul style="list-style-type: none"> • COPE Behavioral Services – Will be returning with another deal at approximately \$5,000,000 – Series 2007. COPE currently identifying site. • Outstanding Single Family Programs – Both 2006 & 2007 Joint Single Family Mortgage Revenue Bond Program fully subscribed in a 9 month period. 2007B program anticipated for the month June. The 2007 Mortgage Credit Certificate Program is originating as projected. • Block 175 / Torreon Partnership – Next agenda – action item requesting some action to be taken to either market the property or alternative action. • Dark Mountain Development Corporation – No report • Federal Legislation – No report • Rio Nuevo District – J. Gutierrez reported that a meeting was held with Councilmember Trasof and attended by: J. Gutierrez, M. Hammond, G. Molenda, C. Lotzar, and K. Valdez. The purpose of the meeting was to introduce the programs / capacity of the City of Tucson IDA, Community Finance Corporation (CFC), and Business Development Finance Corporation (BDFC) as it pertains to financing public / private projects as a “transactional” participant versus “policy & planning” activities. It was the consensus of the Board that a meeting with the City Manager be held next month (June) to discuss potential project participation. • Warehouse District – G. Molenda reported that he attended a meeting, on behalf of the Authority, with Lou Ginsberg, City of Tucson Real Estate Special Projects Manager, and a group of stakeholders interested in the development of the Warehouse District. Discussion is in the early stages. • CREBS – City of Tucson currently evaluating proposals in response to its RFQ. 	
<p>XI. President’s Report</p> <ul style="list-style-type: none"> • Brief summary of current events, including items brought to the President’s attention or matters that required handling by the President since the last meeting. <p>No report.</p>	
<p>XII. Call to the Audience</p> <p>There was no one in the audience who wished to address the Authority.</p>	
<p>XIII. Adjourn</p>	<p>There being no further business, the meeting was adjourned at 6:00 p.m.</p>

Submitted by:

Approved by:

Karen J. Valdez
Business Development Finance Corp.

Jaime P. Gutierrez, President
The Industrial Development Authority of the
City of Tucson, Arizona